



OLD REPUBLIC
National Title Insurance Company

777 Post Oak Blvd., Suite 200
Houston, Texas 77056
713-877-1770 Fax
713-877-1780 Office

Memorandum

To: All Agents, Direct Offices and Attorneys in the State of Texas and
New Mexico

From: David W. Rhodes

Date: June 26, 2002

Re: Express Insurance for Closing Costs

Many Lenders are now requesting P-39 express insurance coverage as to the potential invalidity of their lien because they have advanced funds to cover closing costs and/or reserves for taxes and insurance. The typical language we see requested is the following:

“Any claim that the Insurance is invalid because the loan amount includes funds advanced by Lender for closing costs and/or reserves or impounds for taxes and insurance.”

“Company insures the Insured against loss, if any, sustained by the Insured under the terms of this policy by reason of a final, non-appealable judgement of a court of competent jurisdiction that divests the Insured of its interest as insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this policy if suit is brought against the Insured to divest the Insured of its interests as insured because of this right, claim or interest.”

You may give this P-39 coverage when requested by a Lender. Historically, we have insured loans where the closing costs are included in the loan amount. Old Republic National Title Insurance Company will issue on these loans where the amount of closing costs do not exceed 10% of the loan amount. That is still the rule of thumb on these transactions where you are being asked to give P-39 coverage on closing costs as well as insurance and taxes that are being advanced.